

January 17, 2006  
Seven o'clock P.M.  
North Little Rock City Hall Council Chambers  
300 Main Street  
North Little Rock, Arkansas

A SPECIAL CALL meeting of the North Little Rock City Council scheduled for Tuesday, January 17, 2006, was called to order at 6:02 p.m. by the honorable Mayor PATRICK HENRY HAYS. The roll having been called, and the following Aldermen answered to their names: NEIL BRYANT, LINDA ROBINSON, OLEN THOMAS, GARY BERRY, and CHARLIE HIGHT, a quorum was declared (5/0). Aldermen MARTIN GIPSON, JOHN PARKER AND MURRY WITCHER were absent. City Clerk Diane Whitbey and City Attorney Paul Suskie were also present.

The invocation was given by Mayor Hays, followed by the pledge of allegiance to the flag which was also led by Mayor Hays. Mayor Hays advised the Special Call was televised.

Mayor Hays announced the Special Call scheduled for 6:00 p .m., January 17, 2006.

January 9, 2006

Honorable Members of the City Council  
Re: Special Council Meeting

Dear Members of the City Council:

This is to advise that we have called a special Council meeting of the North Little Rock City Council for 6:00 p.m. on January 17, 2006, at City Hall, Council Chambers, North Little Rock, Arkansas. The following will be on the agenda:

- 1) A RESOLUTION AUTHORIZING THE MAYOR TO ENTER INTO A UNIT POWER PURCHASE AGREEMENT WITH MISSOURI JOINT MUNICIPAL ELECTRIC UTILITY COMMISSION FOR THE PURCHASE AND SALE OF CAPACITY AND ENERGY FROM THE PLUM POINT ENERGY STATION; AND FOR OTHER PURPOSES.  
Sponsored by: Mayor Patrick H. Hays

Respectfully submitted,  
/s/ Mayor Patrick H. Hays  
MAYOR PATRICK H. HAYS

The law requires that you be notified of the time, place and subject matter of any specially called Council meeting. This notice does not require any special written formalities or waivers on your behalf, unless you are notified within a 24-hour period prior to the special meeting.

It is requested that each of you sign the cover letter simply to indicate that you have been informed of the nature and time of the meeting. However, please be aware that your signature is not required unless a period of less than 24-hours remains before the designated time for the meeting and you have not previously received notice.

This will evidence that I have received this notice of a special Council meeting for 6:00 p.m., Tuesday, January 17, 2006, at City Hall, Council Chambers, North Little Rock, and waive time of notice.

/s/ Martin Gipson  
MARTIN GIPSON

/s/ Gary Berry  
GARY BERRY

/s/ Neil Bryant  
NEIL BRYANT

/s/ John Parker  
JOHN PARKER

/s/ Olen Thomas  
OLEN THOMAS

/s/ Murry Witcher  
MURRY WITHCER

/s/ Linda Robinson  
LINDA ROBINSON

/s/ Charlie Hight  
CHARLIE HIGHT

SPECIAL CALL #1 (RESOLUTION NO. 6877 - MAYOR HAYS)  
A RESOLUTION AUTHORIZING THE MAYOR TO ENTER INTO A UNIT POWER PURCHASE AGREEMENT WITH MISSOURI JOINT MUNICIPAL ELECTRIC UTILITY COMMISSION FOR THE PURCHASE AND SALE OF CAPACITY AND ENERGY FROM THE PLUM POINT ENERGY STATION; AND FOR OTHER PURPOSES, was read. A motion to adopt was made by Alderman Thomas and seconded by Alderman Hight. Mayor Hays asked the council to accept a letter dated January 17, 2006, from Arkansas Attorney General Mike Beebe as a communication related to the item and filed with the item by the City Clerk. Communication #1: Mike Beebe, Arkansas Attorney General, Opinion No. 2006-005 (prepared by Assistant Attorney General Jack Druff) re: request for approval of a document captioned “Unit Power Purchase Agreement” (pursuant to Interlocal Cooperation Act, A.C.A. § 25-20-101 *et seq.*), and declaring agreement complies with the provisions of the Interlocal Cooperation Act. Mayor Hays advised General Beebe and Mr. Cliff Hoofman had been very helpful with this matter. The agreement addressed North Little Rock and the cities of Osceola and Piggott and required a ruling from the Attorney General. Mayor Hays advised a contract with Duke will expire in March, 2007. The cost of power is rising. In Mississippi, retail customers experienced a 24% increase in power costs, with another increase pending. This matter is regarding acquisition of an interest in the Plum Point Project. Savings won’t be felt until power is

provided which would be in 2010. Another coal-fired plant is being considered (located in Louisiana, known as Big Cajun II) which would be available at approximately the same time. Entergy (formerly AP & L) provided power to the city prior to the Duke Contract (not including power generated by the Hydro Plant). Some power will be obtained through the Waste Management agreement. "Peeking Power" would be required from other sources. Mr. Joe Gertsch, North Little Rock Electric General Manager provided a "Power Supply Presentation". The presentation included information regarding wholesale power supply history, consideration of Plum Point, power supply resource planning, Plum Point - Unit 1, Big Cajun II - Unit 4 and a recommendation (hard copy on file in clerk's office). A 40-year life span is based on plant design. Mr. Gertsch introduced Mr. Jeff Corder, Vice President, Power Origination, LS Power. Mayor Hays advised the closing date would be February 21, 2006. North Little Rock has been a long-term Entergy customer under a fixed price (including transmission) and was treated as Entergy retail customers. Duke has acted as the city's agent with Entergy since March 2002. The wholesale market has been deregulated which has created certain risks. The city cannot buy power under a "Bundled Contract". Entergy has the Transmission Control area for North Little Rock. Alderman Hight asked how the city would buy electricity between 2007 and 2010. Request for Proposals (RFP) would go out and new resources would be identified. North Little Rock does not own transmission lines. If the same resources are utilized, the current lines can be used. New resources require new transmission lines. Mr. Gertsch reviewed credit risks and referenced ENRON which was a bidder for the current power contract in 2002. Transmission risks were reviewed, including service acquisition and system upgrade costs. If the city keeps the Malvern option open, it could be rolled over. Benefits to Plum Point include long-term supply resources, stable fixed operating costs, fuel source and fuel costs, transmission service is assured and costs are set. Mr. Corder said coal would be delivered to the Plum Point site by two resources. Plum Point has dual resources including Burlington Northern Railroad (which already goes by the site) and Union Pacific Railroad to the Mississippi River, then by barge to the site. A committee of owners would determine the best approach to purchase fuel. New mines are likely to be developed. Mr. Gertsch said regional factors include location within the Entergy Control area. Both Plum Point and Big Cajun are within the Entergy Transmission area. Thirty-nine percent of power provided in this area is generated from natural gas (chart illustrated regional power fuel sources also included nuclear, hydro, coal, oil and other). Natural gas resources will peak around 2020. Mayor Hays said gas may be available from new mining in North Central Arkansas. Projections indicated coal prices will level. Gas prices peaked during recent hurricanes. North Little Rock's hourly power requirements were reviewed for 2004. The projected 2010 Load Curve used 2004 information and was escalated at a rate of 1% per year. Mr. Gertsch advised the Hydro Plant is only operable if the difference between the Arkansas River upstream and downstream is six feet and rate of flow, making it an undependable source of power. The typical approach includes base load, intermediate and peaking capacity. Base load capacity includes risks regarding having too much. Mr. Gertsch reviewed the DaCott Energy Study based on R. W. Beck's study which utilized Plum Point as the base load capacity model, market base portfolio, base case and 1% hourly load growth projection, sensitivity studies (inflation, fuel costs, operating costs, market exposure), and recommended owning base load capacity in order to build a stable cost supply portfolio. The study recommended North Little Rock acquire between 110 - 140 megawatt base load capacity. The net of Hydro Power Cost Projection was reviewed which covered 2010 - 2020 (low curve and high curve). Sixty-five dollars was used as the escalation factor over the course of time as the market price of power. Sixty megawatts over the course of time would reduce \$65.00 to approximately \$52.00. A significant component is fixed costs. Revenues were not included in the chart. Optimum capacity is estimated to be between 120 - 130 megawatts. Plum Point has permits which could allow for two plants at the site. If a second plant were constructed, North Little Rock would have an option to participate. Mr. Gertsch discussed Coal Capacity Diversification and said if 120 megawatts were needed, how it would be acquired. No power plant runs 100% of the time. It would be risky to acquire power from one resource and discussed power costs associated with the same. The Plum Point Energy Station will be a 650 megawatt pulverized coal-fired facility, located in Osceola, Arkansas. It will use powder river basin coal and is fully permitted. The plant should be online by 2010 and is associated with LS Power. Financials include an average Busbar Power Cost (high \$30.00 - low \$40.00 megawatt hour). Capacity factor is estimated to be 85%, debt service cost is approximately \$128.00 per kilowatt year. Operating costs would be low \$50.00 kilowatt year, variable cost approximately \$15.00 megawatt hour. Transmission upgrade cost \$4.8 - 9 million. Currently the city pays less than \$38.00 per megawatt hour. If power were delivered tomorrow, the cost to the city would be approximately 18%. West Memphis and Conway had to purchase power from the market during the summer. The price was around \$65.00 (including delivery). The city uses approximately 1 million megawatts yearly. Alderman Hight asked about price guarantees for 2010. There was not one. The contractor has given LS Power a fixed price to build the Plum Point Plant (cost overruns are not allowed). A change order (if necessary) could include additional costs. Acquisition options include a 30+ year purchase power agreement with Missouri Joint Municipal Electric Utility Commission (MJMEUC) and convertible to ownership 30 year Purchase Power Agreement with LS Power. The MJMEUC option has cost comparable to ownership, eliminated bond issuance, access to unscheduled Plum Point energy, assisted scheduling and power sales, capitalized Plum Point costs beginning with Purchase Price Agreement (PPA) execution, rights to Plum Point power continue for the life of the plant and the option expires January 17, 2006 (this date). The LS Power option includes PPA convertible to ownership June 2006, buy in payment increases by \$1.5 million, PPA terms 17.5% higher than MJMEUC option, PPA terms escalate by Consumer Price Index (CPI) factors, provides heat rate and capacity factor guarantee, rights to Plum Point power expire with PPA unless ownership option is exercised, no expansion right in PPA and PPA offer expires February 21, 2006. Mr. Gertsch said the LS Power option and PPA are the least desirable. If the plant operates beyond 30 years, North Little Rock would no longer have an interest in the plant. If an arrangement is made with LS Power, it should not be for 30 years. The Missouri group interest rate would be 3.3 to 3.5%. Rates are rising and if the city waits until June, the rate may be several points higher. Mr. Gertsch said he was concerned with the location due to its proximity to the New Madrid fault and seismic concerns. Design changes were made to mitigate any concerns. R. W. Beck reviewed the design and was not overwhelmingly concerned. After visiting with the Insurance Agent for the Murray Hydro Plant, Mr. Gertsch was assured affordable insurance was available for the Osceola site. The Plum Point Energy Station would provide low cost energy, transmission upgrades would be minimal, it's a stable, long-term fuel source with room for expansion. In conjunction with this project, Big Cajun II - Unit 4, located in New Roads, Louisiana has been reviewed. Big Cajun is similar to the Plum Point Unit. It is a 650 megawatt coal unit, North of Baton Rouge. The fuel source is also powder river basin coal. This plant is being developed alongside three existing power plants. Mr. Gertsch expects this development will be cheaper than Plum Point and is scheduled to be online in late fall 2009. Production costs are comparable to Plum Point. Transmission costs upgrades could be between \$3 - 7.8 million. Mayor Hays said several cities dropped out due to a lack of access to the transmission lines. Costs for Jonesboro could have been \$70 - 90 million for transmission upgrades. The advantage for North Little Rock is its location near existing transmission points. Mayor Hays referenced transmission lines illustrated in the presentation and the proximity to North Little Rock. Mr. Gertsch said interest in the Big Cajun project is new. He recommends a 120 megawatt interest, and to diversify between the

two groups with 60% coming from Missouri river basin coal and pursue acquisition in the Big Cajun Phase II - Unit 4 plant. Mr. Corder said there will be better efficiency and there are new emission controls (Clean Coal Technology). This is not similar to the plant in Wrightsville as it is a gas plant. Mr. Bob Sisson was asked which plan would benefit the city long-term. Transmission upgrades will be needed either way. Alderman Hight asked about environmental/wildlife concerns. Mr. Corder said the site is located in a soybean field. Mayor Hays said the resolution does not reference 60 megawatts. Mr. Gertsch said it will be in the agreement. Alderman Bryant asked if it should be a firm 60 megawatt amount. Mr. Gertsch agreed it should. On the motion of Alderman Bryant and seconded by Alderwoman Robinson, and by consent of all members present, the resolution was amended as follows:: *new Section 2: THE MAYOR AND CITY CLERK ARE AUTHORIZED TO ENTER INTO A UNIT PURCHASE POWER AGREEMENT FOR 60 MEGAWATTS AS SHOWN IN EXHIBIT "A", and renumber old Section 2 to new SECTION 3 and* (ENTER SAME AMOUNT IN AGREEMENT WHERE APPLICABLE) (5/0). On the motion of Alderman Hight and seconded by Alderman Thomas, and by consent of all members present, the resolution was adopted as amended (5/0). Mayor Hays extended the council's appreciation to Mr. Gerstch and the North Little Rock Electric Department and Mr. Corder for being present. The beneficiary of this agreement will be the citizens of the community.

There being no further business to come before the Council, and on the motion of Alderman Bryant and seconded by Alderwoman Robinson, and by consent of all members present, the meeting adjourned at 8:00 p.m. (5/0), until the next regular meeting to be held on Monday, January 23, 2006, at seven o'clock p.m. in the City Council Chamber in City Hall, located at 300 Main Street, North Little Rock, Arkansas.

APPROVED: MAYOR PATRICK HENRY HAYS  
ATTEST: DIANE WHITBEY, CITY CLERK